



AAE

ACTUARIAL
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OF EUROPE

Consultation on the Methodology for Value for Money Benchmarks

Summary of Key Messages



Consultation Summary Note

[View consultation document](#)
[View consultation response](#)

Purpose of the consultation	<p>The consultation aims to develop a methodology for assessing Value for Money (VfM) in unit-linked and hybrid insurance products. It seeks to establish benchmarks as supervisory tools for National Competent Authorities (NCAs), with the aim of providing clarity for insurance manufacturers and distributors on supervisory approaches towards VfM risks, to ensure customer-centric products that consider VfM aspects.</p>
Issuing Authority	<p>European Insurance and Occupational Pensions Authority (EIOPA)</p>
Summary of the main messages	<p>The AAE supported EIOPA's initiative for Value for Money (VfM) benchmarks but with some reservations. We endorsed the use of benchmarks as tools for supervisory authorities to identify potentially low VfM products, stressing the importance of incorporating both qualitative and quantitative factors in assessments. We cautioned against the public use of these benchmarks, due to the complexity of insurance products and the potential for misinterpretation of their value. We expressed our concerns that benchmarks might inadvertently influence product design to optimise for benchmark performance at the expense of innovation and customer choice. The AAE advocated for benchmarks to primarily serve as supervisory tools, not consumer comparison metrics, and emphasised the need for a balanced and prudent approach in their development and application in order to avoid unintended consequences.</p>
Notes on disagreements	<p>There was a mild divergence in opinions between two groups of contributors with respect to the use of past performance as an indicator versus a more forward-looking based indicator. The issue was resolved by incorporating both views into our response and caveating it appropriately e.g., both past performance as well as forward-looking indicators could be considered. We also caveated the wording to say that past performance can be useful but, in many cases, may not be a reliable indicator and should be considered with caution. This satisfied both groups of volunteers.</p>
List of volunteers/contributors	<p>Consumer Protection Working Group, Society of Actuaries Ireland (submitted by Michael Sharpe), Danish Actuarial Society (submitted by Samuel Achord), Institute of Actuaries France (submitted by Valery Jost), German Actuarial Society (submitted by Tobias Rieck).</p>
Assigned Committees	<p>Insurance Committee</p>
Board Reviewers	<p>Giampaolo Crenca and Matthias Pillaudin</p>
EIOPA deadline	<p>15 March 2024</p>
Submission date	<p>15 March 2024</p>



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